

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

This discussion and analysis of the Village of Ottawa Hills's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2021, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2021 are as follows:

- In 2021 the Village completed road and sewer work at a variety of locations in the community, and continued construction of the David and Dana White recreation fields and restroom facility. Despite these expenditures, the Village achieved a net surplus which increased our cash balance by \$486,000.
- Despite the continued impacts of COVID-19, the Village was able to strengthen services to our residents. Our primary revenue source, income tax, exceeded projections, and revenues were supplemented by American Rescue Plan funds.
- The Village's general receipts are primarily income and property taxes. These receipts represent 57.5 and 18.0 percent respectively of the total cash received for governmental activities during the year. Income tax receipts increased by \$79,910 or 2.2 percent versus 2020. Property taxes remained the same as in 2020.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2021, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Village at year end. The Village has no business-type activities. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, all Village transactions are categorized as Governmental activities:

Governmental activities - Basic government services, including police, fire, streets and parks are reported here. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are all governmental.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Capital Project Fund and Road Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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The Village as a Whole

Table 1 provides a summary of the Village's net position for 2021 compared to 2020 on a cash basis.

(Table 1)
Net Position

	Governmental Activities	
	2021	2020
Assets		
Cash and Cash Equivalents	\$6,838,276	\$6,351,763
Net Position		
Restricted for:		
Capital Projects	1,270,786	1,330,333
Other Purposes	1,126,196	977,896
Unrestricted	4,441,294	4,043,534
Total Net Position	\$6,838,276	\$6,351,763

The net position of governmental activities increased by \$486,513 in 2021, due primarily to lower capital expenditures.

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Table 2 reflects the changes in net position for the year ended December 31, 2021 compared to 2020.

(Table 2)
Changes in Net Position

	Governmental Activities		
	2021	2020	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$285,699	\$138,049	\$147,650
Operating Grants and Contributions	762,661	700,186	62,475
Capital Grants and Contributions	153,766	300,431	(146,665)
Total Program Receipts	1,202,126	1,138,666	63,460
General Receipts:			
Property and Other Local Taxes	1,169,768	1,169,512	256
Income Taxes	3,732,303	3,652,683	79,620
Other Taxes	39,639	41,377	(1,738)
Grants and Entitlements Not Restricted to Specific Programs	199,624	186,830	12,794
Interest	75,553	112,240	(36,687)
Miscellaneous	81,595	283,580	(201,985)
Total General Receipts	5,298,482	5,446,222	(147,740)
Total Receipts	6,500,608	6,584,888	(84,280)
Disbursements:			
General Government	\$803,145	\$777,063	26,082
Security of Persons and Property:	2,237,515	2,228,523	8,992
Public Health Services	34,724	34,724	0
Leisure Time Activities	617,653	535,174	82,479
Basic Utilities	551,054	469,129	81,925
Transportation	567,339	514,377	52,962
Capital Outlay	1,153,240	3,888,119	(2,734,879)
Principal Retirement	49,425	44,925	4,500
Total Disbursements	6,014,095	8,492,034	(2,477,939)
Increase in Net Position	486,513	(1,907,146)	2,393,659
Net Position Beginning of Year	6,351,763	8,258,909	(1,907,146)
Net Position End of Year	\$6,838,276	\$6,351,763	\$486,513

General program receipts represent only 18.5 percent of total receipts in 2021 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, recreation program fees and state grants. In 2021 the Village received \$235,061 in American Rescue Plan Act funds.

Because the Village is almost completely residential our income tax collections fluctuate year-to-year.

General receipts represent 81.5 percent of the Village's total receipts for 2021, and, of this amount, 92.5 percent are local income and property taxes. State and federal grants and entitlements and interest make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the manager, finance, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs for full-time police, contracted fire services, and other related security expenses. Public Health Services is the cost for the county health department; Leisure Time Activities are the costs of maintaining the parks and the recreation program; Basic Utility Services include refuse, recycling, and sewer expenses; and Transportation is the operating cost of maintaining the roads. Capital outlay includes expenditures for road reconstruction projects. Debt Service in 2021 reflects principal expense on ten-year no-interest road construction loans from the state.

Governmental Activities

On the Statement of Activities, the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2021 are for security of persons and property, capital outlay, and general government, which account for 37.2, 19.2 and 13.4 percent of all governmental disbursements, respectively. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2021	2021	2020	2020
General Government	\$803,145	\$798,574	\$777,063	\$705,889
Security of Persons and Property	2,237,515	1,937,233	2,228,523	1,966,971
Public Health Services	34,724	34,724	34,724	34,724
Leisure Time Activities	617,653	275,569	535,174	358,944
Basic Utilities	551,054	473,467	469,129	405,214
Transportation	567,339	243,503	514,377	249,013
Capital Outlay	1,153,240	999,474	3,888,119	3,587,688
Principal Retirement	49,425	49,425	44,925	44,925
Total Expenses	<u>\$6,014,095</u>	<u>\$4,811,969</u>	<u>\$8,492,034</u>	<u>\$7,353,368</u>

The dependence upon property and income tax receipts is apparent as 80.0 percent of governmental activities are supported through general receipts in 2021.

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The Village's Funds

Total governmental funds had receipts of \$6,496,642 and disbursements of \$6,014,095. The General Fund balance increased \$409,882 due to strong revenues and expenses falling below budget. The Capital Project Fund balance increased by \$6,740 with a transfer from the General Fund providing the revenue. The Road Levy Fund balance decreased by \$20,457 due to road construction costs slightly exceeding property tax revenues.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2021, the Village amended its General Fund budget to reflect minor changes in circumstances.

Actual receipts exceeded final budgeted receipts by \$113,262.

Final disbursements in the General Fund were budgeted at \$4,358,827 while actual disbursements, including encumbrances at year end, were \$4,027,544, or 7.6 percent below budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently reflect the value of its capital assets and infrastructure in the financial statements. The Village uses other methods, including inventories of equipment, roads and street trees to insure responsible management of municipal assets.

Debt

On December 31, 2021, the Village's outstanding debt consisted of \$269,323 in 10-year, interest-free loans from the Ohio Public Works Commission, which were used for a variety of Village road projects.

Current Issues

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Village received \$235,061 in American Rescue Plan Act funding. These funds were recorded in the American Rescue Plan Special Revenue Fund and are reflected under Other Governmental Funds on the accompanying financial statements. The Village expects to receive the same amount during 2022.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Urbanik, Finance Director, or Eric Shreve, Clerk/Treasurer, Village of Ottawa Hills, 2125 Richards Road, Ottawa Hills, Ohio 43606.

Village of Ottawa Hills, Ohio
Lucas County
Statement of Net Position - Cash Basis
December 31, 2021
unaudited

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,838,276
Net Position	
Restricted for:	
Capital Projects	\$1,270,786
Other Purposes	1,126,196
Unrestricted	4,441,294
<i>Total Net Position</i>	\$6,838,276

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2021
unaudited

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Current:					
Security of Persons and Property	\$2,237,515	\$1,626	\$298,656		(\$1,937,233)
Public Health Services	34,724				(34,724)
Leisure Time Activities	617,653	201,915	140,169		(275,569)
Basic Utility Services	551,054	77,587			(473,467)
Transportation	567,339		323,836		(243,503)
General Government	803,145	4,571			(798,574)
Capital Outlay	1,153,240			153,766	(999,474)
Debt Service:					
Principal Retirement	49,425				(49,425)
Total	\$6,014,095	\$285,699	\$762,661	\$153,766	(\$4,811,969)
General Receipts:					
Property Taxes Levied for:					
General Purposes					497,106
Police Pension					42,573
Fire Pension					42,573
Capital Outlay					587,516
Income Taxes					3,732,303
Other Local Taxes					39,639
Grants and Entitlements not Restricted to Specific Programs					199,624
Earnings on Investments					75,553
Miscellaneous					81,595
Total General Receipts					5,298,482
Change in Net Position					486,513
Net Position Beginning of Year					6,351,763
Net Position End of Year					\$6,838,276

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2021
unaudited

	General	Capital Project Fund	Road Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$3,364,440</u>	<u>\$838,854</u>	<u>\$936,197</u>	<u>\$1,698,785</u>	<u>\$6,838,276</u>
Fund Balances					
Nonspendable	183				183
Restricted			936,197	1,460,785	2,396,982
Committed		598,638		238,000	836,638
Assigned	619,602	240,216			859,818
Unassigned	<u>2,744,655</u>				<u>2,744,655</u>
<i>Total Fund Balances</i>	<u>\$3,364,440</u>	<u>\$838,854</u>	<u>\$936,197</u>	<u>\$1,698,785</u>	<u>\$6,838,276</u>

See accompanying notes to the basic financial statements

**Village of Ottawa Hills, Ohio
Lucas County**

*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2021
unaudited*

	General	Capital Project Fund	Road Levy Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$3,732,303				\$3,732,303
Property and Other Local Taxes	497,106		587,516	85,146	1,169,768
Intergovernmental	179,882		158,076	571,691	909,649
Special Assessments				195,321	195,321
Charges for Services	196,011				196,011
Fines, Licenses and Permits	44,210			246	44,456
Earnings on Investments	72,530			3,023	75,553
Miscellaneous	173,581			0	173,581
<i>Total Receipts</i>	<u>4,895,623</u>	<u>0</u>	<u>745,592</u>	<u>855,427</u>	<u>6,496,642</u>
Disbursements					
Current:					
Security of Persons and Property	1,671,795			565,721	2,237,516
Public Health Services	34,724				34,724
Leisure Time Activities	470,099			147,553	617,652
Basic Utility Services	551,054				551,054
Transportation	334,924			232,416	567,340
General Government	803,145				803,145
Capital Outlay		393,260	755,248	4,731	1,153,239
Debt Service:					
Principal Retirement			10,801	38,624	49,425
<i>Total Disbursements</i>	<u>3,865,741</u>	<u>393,260</u>	<u>766,049</u>	<u>989,045</u>	<u>6,014,095</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,029,882</u>	<u>(393,260)</u>	<u>(20,457)</u>	<u>(133,618)</u>	<u>482,547</u>
Other Financing Sources (Uses)					
Loan proceeds				3,966	3,966
Transfers In		400,000		220,000	620,000
Transfers Out	(620,000)				(620,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(620,000)</u>	<u>400,000</u>	<u>0</u>	<u>223,966</u>	<u>3,966</u>
<i>Net Change in Fund Balances</i>	<u>409,882</u>	<u>6,740</u>	<u>(20,457)</u>	<u>90,348</u>	<u>486,513</u>
<i>Fund Balances Beginning of Year</i>	<u>2,954,558</u>	<u>832,114</u>	<u>956,654</u>	<u>1,608,437</u>	<u>6,351,763</u>
<i>Fund Balances End of Year</i>	<u>\$3,364,440</u>	<u>\$838,854</u>	<u>\$936,197</u>	<u>\$1,698,785</u>	<u>\$6,838,276</u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2021
unaudited

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$3,550,000	\$3,849,008	\$3,732,303	(\$116,705)
Property and Other Taxes	493,000	493,000	497,106	4,106
Intergovernmental	156,900	156,900	179,882	22,982
Charges for Services	90,000	90,000	196,011	106,011
Fines, Licenses and Permits	45,000	45,000	44,210	(790)
Earnings on Investments	50,000	50,000	72,530	22,530
Miscellaneous	95,000	98,453	173,581	75,128
<i>Total Receipts</i>	<u>4,479,900</u>	<u>4,782,361</u>	<u>4,895,623</u>	<u>113,262</u>
Disbursements				
Current:				
Security of Persons and Property	2,001,337	1,819,587	1,711,598	107,989
Public Health Services	36,000	36,000	34,724	1,276
Leisure Time Activities	493,159	553,159	485,673	67,486
Basic Utility Services	538,528	568,528	557,399	11,129
Transportation	459,395	430,020	385,459	44,561
General Government	975,408	951,533	852,691	98,842
<i>Total Disbursements</i>	<u>4,503,827</u>	<u>4,358,827</u>	<u>4,027,544</u>	<u>331,283</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(23,927)</u>	<u>423,534</u>	<u>868,079</u>	<u>444,545</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(720,000)</u>	<u>(720,000)</u>	<u>(620,000)</u>	
<i>Net Change in Fund Balance</i>	<u>(743,927)</u>	<u>(296,466)</u>	<u>248,079</u>	<u>444,545</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>2,765,331</u>	<u>2,765,331</u>	<u>2,765,331</u>	
Prior Year Encumbrances Appropriated	<u>189,227</u>	<u>189,227</u>	<u>189,227</u>	
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$2,210,631</u></u>	<u><u>\$2,658,092</u></u>	<u><u>\$3,202,637</u></u>	<u><u>\$444,545</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unaudited

NOTE 1 – REPORTING ENTITY

The Village of Ottawa Hills, Lucas County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government. There are no component units or other organizations that are required to be included in the financial statements.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village as a whole. The Village does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Village only has governmental funds.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Capital Project Fund and the Road Levy Fund.

The **General Fund** is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

The **Capital Project Fund** is used for capital projects not provided for under the Road Levy Fund. The revenue source for this fund is primarily transfers from the General Fund.

The **Road Levy Fund** accounts for road construction projects. It is funded by a voted property tax along with grants from the State of Ohio. The grant funds are restricted to their particular project. Additional monies are transferred to this fund as needed from the General Fund.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. Lucas County no longer requires submission of a tax budget to the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and category level, i.e. personal services, operating and maintenance, and capital categories, for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2021, the Village invested in U.S. Treasury, U.S. Agency Instruments, FDIC insured certificates of deposit, and STAR Ohio. The U.S. Instruments and certificates of deposit are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2021 were \$72,530 which includes \$35,736 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include \$510,994 for Street Construction, \$61,417 for State Highway Improvement, \$15,602 for Law Enforcement, \$7,001 for Drug Enforcement, \$61 for American Rescue Plan, \$334,589 for Capital Grants, \$936,197 for Road Levy, for \$92,849 for Street Lights, \$155,337 for Shade Trees, \$89,050 for Police Pension, \$193,885 for Firemen's Pension and \$183 for Unclaimed Funds.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF OTTAWA HILLS
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Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$161,802 for the General Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unaudited

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

The Village has adopted an investment policy which is more restrictive than provided for under the Uniform Depository Act, Ohio Revised Code Section 135. This policy has been filed with the State Auditor and annual training is completed as required. Interim monies held by the Village can be deposited or invested in the following securities according to this policy:

It is the intention of the Village of Ottawa Hills to invest Village funds in a manner that:

1. Preserves principal
2. Insures security of funds
3. Maximizes return

To accomplish these goals the Council of the Village of Ottawa Hills adopts the following policies that comply with the Uniform Depository Act, Ohio Revised Code Section 135.

Authorized Investments:	Collateralized Certificates of Deposit Insured Certificates of Deposit Repurchase Agreements – agreements with banks to purchase a security from the bank and resell it to the bank to produce a stated interest rate (securities must be legal investments under the O.R.C. Section 135) U.S Treasuries U.S. Agencies (excluding derivatives) STAR Ohio
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Terms of Investments:	Maximum Five (5) Years
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Diversification:	May not exceed 50% of invested fund in STAR Ohio May not exceed 40% of invested funds in any one bank
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Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At year end, the Village had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$266,628 of the Village's bank balance of \$516,628 was exposed to custodial credit risk because those deposits were uninsured. These deposits were collateralized through the Ohio Pooled Collateral System (OPCS).

**VILLAGE OF OTTAWA HILLS
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Unaudited

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2021, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
United States Treasury	242,496	8/31/2025
Federal Home Loan Mortgage securities FHLMC	296,564	11/25/2024
	<u>245,321</u>	10/27/2025
	541,885	
Federal Home Loan Bank securities FHLB	374,906	9/10/2024
Goldman Sachs CD	50,615	4/12/2022
Ally Bank CD	100,334	5/2/2022
Citibank SD CD	158,388	5/23/2022
State Bank New York CD	249,292	5/31/2022
Discover Bank DE CD	99,507	7/8/2022
MS Bank Salt Lake City CD	150,000	8/23/2022
Raymond James Bank CD	180,203	11/8/2022
Flagstar Bank CD	244,900	11/15/2022
Synchrony Bank CD	249,858	4/6/2023
Morgan Stanley NY CD	248,217	6/6/2023
UBS Bank USA Salt Lake City CD	125,000	6/13/2023
American Express CD	99,914	6/19/2023
CIT Bank UT CD	172,641	8/14/2023
Goldman Sachs CD	196,291	10/31/2023
Capital One Virginia	249,211	5/30/2024
New York Community Bank	249,284	6/3/2024
Morgan Stanley UT CD	96,287	6/13/2024
Discover Bank DE CD	143,919	6/18/2024
JP Morgan CD	247,695	11/14/2025
Texas Exchange Bank	<u>217,558</u>	11/25/2025
	3,529,114	
STAR Ohio	<u>1,861,501</u>	51.3 Days
	<u>6,549,902</u>	

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unaudited

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 – INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. When the taxable income of a resident is subject to income tax in another municipality on the same income taxable under this ordinance, the resident is allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to fifty percent (50%) of the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality (1.5%) by the taxable income earned in or attributable to the municipality of employment or business activity. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2020 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**VILLAGE OF OTTAWA HILLS
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Unaudited

NOTE 6 – PROPERTY TAXES - (CONTINUED)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2021, was \$4.10 per \$1,000 of assessed value and \$3.90 per \$1,000 of assessed value for voted millage for road and bridge repair. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

Real Property	
Residential & Agriculture	175,809,830
Commercial/Industrial/Mineral	3,008,140
Public Utility Property	
Personal	2,499,570
Tangible Personal Property	
Total Assessed Value	<u>181,317,540</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 7 – RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unaudited

NOTE 7 – RISK MANAGEMENT- (CONTINUED)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	(13,530,267)
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village also provides health, dental and vision insurance to full-time employees through a private carrier. A cafeteria (Section 125) plan and health savings accounts are available to eligible employees.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Refer to the employer notices from the pension systems for the most updated pension disclosures.

A. Ohio Public Employees Retirement System

Plan Description – Village employees, other than full time police officers, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	Traditional Plan Formula:	Traditional Plan Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula:	Combined Plan Formula:	Combined Plan Formula:
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Traditional Plan Formula:	Traditional Plan Formula:	Traditional Plan Formula:
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2021 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2021 Actual Contribution Rates			
Employer:			
Pension *****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits *****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This rate is determined by OPERS' Board and has no maximum rate established by ORC.

*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

***** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

**VILLAGE OF OTTAWA HILLS
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NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$112,793 for year 2021.

B. Ohio Police and Fire Pension Fund

Plan Description – Village full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% or the percentage

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NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police		Firefighters	
2021 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%
2021 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50		0.50	
Total Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$211,338 for 2021.

NOTE 9 - POST EMPLOYMENT BENEFITS

Refer to the employer notices from the pension systems for the most updated pension disclosures.

A. Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan

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NOTE 9 - POST EMPLOYMENT BENEFITS- (CONTINUED)

with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

NOTE 9 - POST EMPLOYMENT BENEFITS- (CONTINUED)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$112,793 for 2021 and 89.7% has been contributed.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage

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**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

NOTE 9 - POST EMPLOYMENT BENEFITS- (CONTINUED)

including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of

the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contractually required contribution to OPF was \$211,338 for 2021, and the full amount has been contributed.

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
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Unaudited

NOTE 10 – DEBT

The Village's long-term debt activity for the year ended December 31, 2021, was as follows:

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Governmental Activities</u>						
2012 OPWC Loan CTB8M Original Amount \$24,388	0%	2,439		2,439		
2012 OPWC Loan CT44N Original Amount \$90,014	0%	13,502		9,001	4,501	4,501
2017 OPWC Loan CL24S Original Amount \$108,014	0%	64,808		10,801	54,007	10,801
2018 OPWC Loan CT44T Original Amount \$46,292	0%	32,404		4,629	27,775	4,629
2019 OPWC Loan CT05U Original Amount \$18,945	0%	15,157		1,895	13,262	1,895
2020 OPWC Loan CT42V Original Amount \$161,601	0%	145,441		16,160	129,281	16,160
2021 OPWC Loan CT84W Original Amount \$45,000	0%	44,999		4,500	40,499	4,500
Total		<u>\$318,750</u>		<u>\$49,425</u>	<u>\$269,325</u>	<u>\$42,486</u>

The OPWC 2021 CT84W loan totals \$45,000, related to road improvements on Forestvale and Woodhall Roads, and the intersection of Talmadge and Indian Roads. The OPWC 2021 CT84W loan will be repaid in semi-annual installments of \$,.250 principal only payments over 10 years, when initialized in 2021.

The OPWC 2020 CT42V loan related to road improvements on Bancroft and Brookside Roads. The OPWC 2020 CT42V loan totals \$161,601. The loan will be repaid in semi-annual installments of \$8,080 principal only payments, over 10 years.

The OPWC 2019 CT05U loan related to road improvements on Bancroft, Orchard and Park Streets. The OPWC 2019 CT05U loan totals \$18,945. The loan will be repaid in semi-annual installments of \$942.27 principal only payments, over 10 years.

The OPWC 2018 CT44T loan related to road reconstruction of Manchester Road and Darlington Road. The OPWC 2018 CT44T loan totals \$46,292. The loan will be repaid in semi-annual installments of \$2,314.62 principal only payments, over 10 years.

**VILLAGE OF OTTAWA HILLS
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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 – DEBT - (CONTINUED)

The OPWC 2017 CL24S loan related to road rehabilitation on Talmadge Road and Bonniebrook Road. The OPWC 2017 CL24S loan totals \$108,014. The loan will be repaid in semi-annual installments of \$5,400.70 principal only payments, over 10 years.

The OPWC 2012 CT44N loan related to a storm sewer rehabilitation project. The OPWC 2012 CT44N loan totals \$90,014. The loan will be repaid in semi-annual installments of \$4,500.68, principal only payments, over 10 years.

The OPWC 2012 CTB8M loan related to pavement and storm sewer repairs to Bancroft Street. The OPWC 2012 CTB8M loan totaled \$24,388 and was paid off in 2021.

The following is a summary of the Village's future annual debt service requirements, including interest:

<u>Debt Service Requirements</u> <u>Year ending December 31:</u>	<u>OPWC Loans</u> <u>Principal</u>
2022	42,486
2023	37,985
2024	37,985
2025	37,985
2026	37,985
2027-2030	74,899
Total	<u>\$269,325</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2021, were an overall debt margin of \$18,769,016 and an unvoted debt margin of \$9,972,465.

NOTE 11 – INTERFUND TRANSFERS

During 2021 the following transfers were made:

Transfers from the General Fund to:	
Capital Projects Fund	\$400,000
Other Governmental Funds	\$240,000
	<u>\$640,000</u>
Transfers to the General Fund from:	
Termination Benefit Fund	\$20,000
Total Transfers	<u>\$620,000</u>

General Fund Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF OTTAWA HILLS
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NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Village has encumbered \$265,373 for a contract with Geddis Paving and Excavating, Inc. for the completion of the athletic fields and facilities at Dave and Dana White Field.

NOTE 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Village received \$235,061 in American Rescue Act funding, distributed through Lucas County. These amounts were recorded in the American Rescue Act Special Revenue Fund and are reflected under Other Governmental Funds on the accompanying financial statements. The Village expects to receive the same amount in 2022.